

Overview of Agency Operations

DRS' major initiatives and significant accomplishments of the past fiscal year are described below.

PERS Plan 3 implementation well under way

The new Public Employees' Retirement System (PERS) Plan 3 officially went into effect on March 1, 2002. PERS Plan 3 combines the features of a defined benefit plan with those of a defined contribution plan. PERS members currently in Plan 2 must choose whether to transfer their contributions and service credit to Plan 3, or remain in Plan 2 with its defined benefit provisions. With almost 129,000 active PERS Plan 2 members, the opportunity to transfer is being offered in two phases. The transfer period for state workers and higher education employees is March 1 through August 31, 2002. Local government employees may transfer between September 1, 2002 and May 31, 2003. New PERS members will have 90 days from their first date of eligibility to decide which plan is right for them. DRS worked with employees, employers and labor organizations to design an extensive member education campaign. The PERS Plan 3 implementation is on schedule and within the project's established budget.

New transmittal option saves employers' time, increases accuracy

The new Web-Based Employer Transmittal (WBET) option allows employers to quickly and securely report member information and retirement contribution data to DRS over the Internet. Already, 487 employers have signed up to use this option. With special features that increase accuracy, WBET's popularity with employers is easy to understand.

Agency receives clean compliance audit

DRS takes its fiduciary responsibility very seriously. That diligence is evident in the results of a clean, 2001 audit completed by the State Auditor's Office. This was the agency's sixth consecutive annual audit without findings.

DRS returns funds to inactive members

The 2001 Legislature provided funding for DRS to conduct a special project to locate members with inactive accounts. The goal for the fiscal year ending June 30, 2002, was to contact 36,000 (45 percent) of the more than 80,000 members who are either not vested or are eligible to begin receiving

retirement benefits. The agency exceeded the goal by contacting approximately 38,000 (48 percent) of those inactive members. As a result of this project, 4,579 withdrawals were made worth almost \$11.5 million, and 109 members began receiving their retirement benefits. Procedures were also developed to notify members with inactive accounts when they become eligible to retire or reach 70.5 years of age, meeting the legal requirement for mandatory distribution.

Improved estimate letters are simple and comprehensive

DRS redesigned the benefit estimate letters to make them easier to read, while still providing all the details members need. The new format improves the appearance of the letters and clarifies important information. A focus group of retirement system members evaluated the new letters and found them to be straightforward and comprehensive.

Independent study verifies DRS' operational efficiency

Results of an external study reveal that DRS operates very efficiently compared to other public retirement agencies. The *Benefit Administration Benchmarking Analysis*, conducted by Cost Effectiveness Measurement (CEM) Inc., of Toronto, Ontario, evaluates the administrative costs of public retirement systems. When comparing the 30 United States organizations that participated, this year's study shows that DRS' administrative costs were 44 percent lower than the projected costs of its peer pension systems, given complexity, volume, service levels, special projects and cost environment. The study also identified DRS as the fourth most complex of the peer U.S. programs. This is DRS' third year participating in this study.

Agency fosters workforce diversity

DRS serves a diverse member base throughout Washington State and places a high value on maintaining a workforce that reflects that diversity. Through active recruiting strategies and programs aimed at retention of qualified staff, DRS strives to reflect the diversity of the State of Washington in its workforce.

DRS continues its focus on improving customer service

DRS staff respond to 96 percent of all routine correspondence within five days of receipt. In the Retirement Services Division, 96 percent of all incoming telephone calls are answered within 30 seconds. Recent implementation of a document imaging system provides rapid access to members' files, so many questions can be answered with a single telephone call. Responses to DRS' annual customer satisfaction survey show an average satisfaction rating of 4.55, out of a possible 5 points.

2002 Washington State Legislative Actions

The 2002 Washington State Legislature enacted the following significant changes in retirement law.

Survivor Benefits

The Joint Committee on Pension Policy (JCPP) recommended this legislation, which provides retirees from the Law Enforcement Officers and Fire Fighters' (LEOFF) Plan 1 and the Public Employees' Retirement System (PERS) Plan 3 with optional survivor benefits that are currently available in other retirement systems such as the ability to provide an actuarially reduced benefit to their spouse in the event of a post-retirement marriage. The bill also allows members and retirees from PERS, the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS) to split their accounts into two accounts (one for the member and one for the ex-spouse) upon dissolution of their marriage.

Military Service Corrections

This legislation brings state law into alignment with the federal law definition of the Vietnam Era. The bill also removes prohibitions on military service credit in PERS and the Washington State Patrol Retirement System (WSPRS) for members who are also receiving military retirement benefits.

PERS Plan 3 Corrections

This legislation gave PERS Plan 2 members who transfer to PERS Plan 3 the opportunity to qualify for a transfer payment if they earn service credit in June, 2002 (for "Phase 1 employers," which included state and higher education employers), or during either June 2002 or February 2003 (for "Phase 2 employers," which included most local government employers).

Technical Corrections

This legislation corrects errors and oversights in statutes, such as incorrect cross-references to other statutes. In addition, this bill adds references to TRS Plan 3 and PERS Plan 3 to RCW 41.50.790 regarding benefit division orders.

Health Insurance - Local Government Retired and Disabled Employees

This legislation applies to PERS local government retired and disabled employees and their dependents. It gives them the right to participate in a health plan, provided that they are not covered under an insurance program administered by the State Health Care Authority. The bill goes into effect January 1, 2003, but local governments have until January 1, 2004, to implement the bill.

LEOFF Plan 2 Part-Time Leave of Absence

The Joint Committee on Pension Policy recommended this legislation, which allows law enforcement members to continue to earn service credit for part-time leaves of absence, up to a two-year maximum.

PERS Plan 2 CVEOs Transfer to State Patrol

Under this legislation, which was recommended by the Joint Committee on Pension Policy, Commercial Vehicle Enforcement Officers (CVEOs) who became commissioned officers in the Washington State Patrol after July 1, 2000, and prior to June 30, 2001, have the option of either remaining a member of PERS Plan 2 or make an irrevocable choice to transfer their CVEO credit to WSPRS. Those members who transfer service credit would have until December 31, 2010, or the date of retirement (whichever came first) to pay for the difference in employee and employer contributions, plus interest.

PERS Plan 1 Vested Inactive

The Joint Committee on Pension Policy recommended this legislation, which allows inactive members of PERS Plan 1 with at least 20 years of service, who separate after reaching age 50, to retire at age 60 without a reduction in benefits (the previous age was 65). The member must have separated from state service on or after January 1, 2002.

Port Employees

This legislation allows port employees to participate in a private pension plan without loss of their eligibility for PERS.